

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 5, 2006

To: The Commission
(Meeting of April 13, 2006)

From: Delaney Hunter, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 2515 (Ruskin) – Water conservation.**
As Introduced February 23, 2006

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: Support.

SUMMARY OF BILL:

This bill would require the California Public Utilities Commission (CPUC) to prepare and submit to the Legislature a report that describes and recommends an accounting method for evaluating the direct financial costs and benefits of water conservation and efficiency programs to customers of water corporations subject to the jurisdiction of the CPUC. The bill would require the commission to include in the report recommendations with regard to the implementation of one or more water conservation and efficiency programs. This bill would also require the Energy Commission to establish water efficiency standards for residential and commercial water-using appliances and other products.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

On December 15, 2005, the CPUC adopted a Water Action Plan for the state, which contains the stated objective to strengthen water conservation programs to a level comparable to those of energy utilities. Water conservation is critical in California to extend limited resources as far as possible to allow for future growth. Indeed, water conservation is the least expensive source of water.

SUMMARY OF SUGGESTED AMENDMENTS (if any):

None.

DIVISION ANALYSIS (Water Division):

- The CPUC is well on its way to implementing the intent of this bill through its Water Action Plan, which can be found on the CPUC's website at:
http://www.cpuc.ca.gov/static/hottopics/3water/051109_wateractionplan.htm
- The following is a list of the recommendations outlined in the Water Action Plan for water conservation programs:
 - Promote metered water service to encourage conservation.
 - Educate water industry stakeholders regarding policies and practices which reduce water and energy consumption.
 - Direct participation by all California Class A and B water utilities in the Urban Water Conservation Council and encourage implementation of the Council's Best Conservation Management Practices.
 - Encourage increasing block rates where feasible to promote greater conservation.
 - Remove current financial disincentives to water conservation.
 - Establish utility financial incentives for greater conservation.
 - Consider energy usage as an important outcome of all water policy decisions and work toward a 10% reduction in energy consumption by the water utilities over the next three years.
 - Collaborate with the California EPA to reduce California greenhouse gas (GHG) emissions by water utilities.
- The CPUC believes the development of an accounting method for evaluating water conservation and efficiency plans will serve to protect ratepayers from wasteful spending while maximizing conservation efforts.

PROGRAM BACKGROUND:

The CPUC is responsible for ensuring that the utilities deliver clean, safe, and reliable water to their customers at reasonable rates.¹ There are approximately 140 companies under CPUC jurisdiction providing potable and irrigation water service to about 20%, or more than 6 million, residents of California. Total annual revenues for CPUC-regulated water utilities in California are nearly \$1 billion. Water quality and water supply issues are governed by various federal and state agencies, and the CPUC works collaboratively and closely with them.²

¹ The investor-owned water utilities that the CPUC regulates are corporations or limited liability companies that provide water to the public for remuneration as a business, and are classified according to size as A, B, C, or D. Class A: 10,001+ customers; Class B: 2,001-10,000; Class C: 501-2,000; Class D: 1-500.

² These agencies are the Department of Health Services, the Department of Water Resources, the State Water Regional Quality Control Board, the California Environmental Protection Agency, and wholesale water agencies such as the Metropolitan Water District.

LEGISLATIVE HISTORY:

Unknown.

FISCAL IMPACT ON THE CPUC:

Minor and absorbable.

STATUS: This bill is set to be heard by the Assembly Water, Parks and Wildlife on Tuesday, April 25, 2006.

SUPPORT/OPPOSITION:

Unknown.

STAFF CONTACTS:

Pamela Loomis, Deputy Director
CPUC - OGA

pcl@cpuc.ca.gov
(916) 327-8441

Sazedur Rahman
CPUC, Water Division

snr@cpuc.ca.gov
(415) 703-1748

Date: April 5, 2006.

BILL LANGUAGE:

BILL NUMBER: AB 2515 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member Ruskin

FEBRUARY 23, 2006

An act to add Section 25401.9 to the Public Resources Code, to add Section 2714.5 to the Public Utilities Code, and to add Chapter 11 (commencing with Section 560) to Division 1 of the Water Code, relating to water conservation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2515, as introduced, Ruskin Water conservation.

(1) Existing law requires the State Energy Resources Conservation and Development Commission, after one or more public hearings, to take specified action to reduce the wasteful, uneconomic, inefficient, or unnecessary consumption of energy. Existing law requires the commission, by January 1, 2004, to amend specified regulations to require that residential clothes washers manufactured on or after January 1, 2007, be at least as water efficient as commercial clothes washers, and to take certain other related action.

This bill would require the commission to establish water efficiency standards for residential and commercial water-using appliances and other products. The bill would require the commission to prepare and submit to the Legislature a report that sets forth recommendations regarding the utilization of water use ratings for those appliances and products.

(2) Existing law authorizes the Public Utilities Commission to regulate public utilities, including water corporations.

This bill would require the commission to prepare and submit to the Legislature a report that describes and recommends an accounting method for evaluating the direct financial costs and benefits of water conservation and efficiency programs to customers of water corporations subject to the jurisdiction of the commission. The bill would require the commission to include in the report recommendations with regard to the implementation of one or more water conservation and efficiency programs.

(3) Under existing law, state bond funds are allocated for a broad range of water projects and programs.

This bill would prohibit the allocation of state bond funds to a water supplier for a water project or program unless the supplier has adopted specified best management practices.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 25401.9 is added to the Public Resources Code, to read:

25401.9. (a) The commission shall establish water-efficiency standards for residential and commercial water-using appliances and other products.

(b) The commission shall prepare and submit to the Legislature a report that sets forth recommendations regarding the utilization of water use ratings for appliances and products described in subdivision (a).

SEC. 2. Section 2714.5 is added to the Public Utilities Code, to read:

2714.5. (a) The commission shall prepare and submit to the Legislature a report that describes and recommends an accounting method for evaluating the direct financial costs and benefits of water conservation and efficiency programs to customers of water corporations.

(b) The report described in subdivision (a) shall include recommendations with regard to the implementation of one or more water conservation and efficiency programs.

SEC. 3. Chapter 11 (commencing with Section 560) is added to Division 1 of the Water Code, to read:

CHAPTER 11. STATE BOND FUNDS

560. No state bond funds may be allocated to a water supplier for a water project or program unless the supplier has adopted best management practices in accordance with the "Memorandum of Understanding Regarding Urban Water Conservation in California," as amended or the "Memorandum of Understanding Regarding Efficient Water Management Practices by Agricultural Water Suppliers in California," as amended.